



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O. Box 13528 • Austin, TX 78711-3528

July 23, 2015

Bob Rauch
Superintendent
Sterling City ISD
P. O. Box 786
Sterling City, Texas 76951

Dear Superintendent Rauch:

On April 30, 2015, the Comptroller issued written notice that Bluebell Solar, LLC (the applicant) submitted a completed application (Application #1062) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on Feb. 19, 2015, to the Sterling City Independent School District (the school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

Sec. 313.024(a)	Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b)	Applicant is proposing to use the property for an eligible project.
Sec. 313.024(d)	Applicant has committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
Sec. 313.024(d-2)	Not applicable to Application #1062.

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

¹ All statutory references are to the Texas Tax Code, unless otherwise noted.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period. See Attachment B.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. See Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

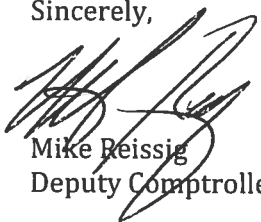
The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-286) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of April 30, 2015, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Korry Castillo, Director, Data Analysis & Transparency, by email at korry.castillo@cpa.texas.gov or by phone at 1-800-531-5441, ext. 3-3806, or direct in Austin at 512-463-3806.

Sincerely,



Mike Reissig
Deputy Comptroller

Enclosure

cc: Korry Castillo

Attachment A – Economic Impact Analysis

This following tables summarizes the Comptroller’s economic impact analysis of Bluebell Solar, LLC (the project) applying to Sterling City Independent School District (the district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of Bluebell Solar, LLC.

Applicant	Bluebell Solar, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy – Solar
School District	Sterling City ISD
2013-14 Enrollment in School District	314
County	Sterling
Proposed Total Investment in District	\$175,000,000
Proposed Qualified Investment	\$175,000,000
Limitation Amount	\$30,000,000
Number of new qualifying jobs committed to by applicant*	1
Number of new non-qualifying jobs estimated by applicant	1
Average weekly wage of qualifying jobs committed to by applicant	\$760
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	\$757
Minimum annual wage committed to by applicant for qualified jobs	\$39,500
Minimum weekly wage required for non-qualifying jobs	
Minimum annual wage required for non-qualifying jobs	
Investment per Qualifying Job	\$175,000,000
Estimated M&O levy without any limit (15 years)	\$11,739,000
Estimated M&O levy with Limitation (15 years)	\$5,031,000
Estimated gross M&O tax benefit (15 years)	\$6,708,000
* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).	

Table 2 is the estimated statewide economic impact of Bluebell Solar, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2016	200	247	447	\$10,000,000	\$18,320,313	\$28,320,313
2017	2	35	37	\$82,140	\$5,044,813	\$5,126,953
2018	2	21	23	\$82,140	\$3,091,688	\$3,173,828
2019	2	6	8	\$82,140	\$2,115,126	\$2,197,266
2020	2	(0)	2	\$82,140	\$1,138,563	\$1,220,703
2021	2	(2)	0	\$82,140	\$650,282	\$732,422
2022	2	(8)	-6	\$82,140	\$284,071	\$366,211
2023	2	(4)	-2	\$82,140	\$284,071	\$366,211
2024	2	(4)	-2	\$82,140	-\$82,140	\$0
2025	2	(10)	-8	\$82,140	-\$1,302,843	-\$1,220,703
2026	2	(4)	-2	\$82,140	-\$326,281	-\$244,141
2027	2	(6)	-4	\$82,140	-\$570,421	-\$488,281
2028	2	(2)	0	\$82,140	-\$570,421	-\$488,281
2029	2	(0)	2	\$82,140	-\$82,140	\$0
2030	2	(6)	-4	\$82,140	-\$570,421	-\$488,281
2031	2	(2)	0	\$82,140	-\$814,562	-\$732,422

Source: CPA, REMI, Bluebell Solar, LLC

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives									
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Sterling City ISD I&S Levy	Sterling City ISD M&O Levy	Sterling City ISD M&O and I&S Tax Levies	Sterling County Tax Levy	Sterling County Underground Water District Tax Levy	Estimated Total Property Taxes
			Tax Rate ¹	0.1998	1.0400		0.3676	0.01252	
2017	161,000,000	\$161,000,000		\$321,678	\$1,674,400	\$1,996,078	\$591,788	\$20,157	\$2,608,023
2018	147,000,000	\$147,000,000		\$293,706	\$1,528,800	\$1,822,506	\$540,328	\$18,404	\$2,381,238
2019	133,000,000	\$133,000,000		\$265,734	\$1,383,200	\$1,648,934	\$488,868	\$16,652	\$2,154,454
2020	117,250,000	\$117,250,000		\$234,266	\$1,219,400	\$1,453,666	\$430,976	\$14,680	\$1,899,321
2021	101,500,000	\$101,500,000		\$202,797	\$1,055,600	\$1,258,397	\$373,084	\$12,708	\$1,644,188
2022	85,750,000	\$85,750,000		\$171,329	\$891,800	\$1,063,129	\$315,191	\$10,736	\$1,389,056
2023	68,250,000	\$68,250,000		\$136,364	\$709,800	\$846,164	\$250,867	\$8,545	\$1,105,575
2024	52,500,000	\$52,500,000		\$104,895	\$546,000	\$650,895	\$192,974	\$6,573	\$850,442
2025	42,000,000	\$42,000,000		\$83,916	\$436,800	\$520,716	\$154,379	\$5,258	\$680,354
2026	36,750,000	\$36,750,000		\$73,427	\$382,200	\$455,627	\$135,082	\$4,601	\$595,310
2027	36,750,000	\$36,750,000		\$73,427	\$382,200	\$455,627	\$135,082	\$4,601	\$595,310
2028	36,750,000	\$36,750,000		\$73,427	\$382,200	\$455,627	\$135,082	\$4,601	\$595,310
2029	36,750,000	\$36,750,000		\$73,427	\$382,200	\$455,627	\$135,082	\$4,601	\$595,310
2030	36,750,000	\$36,750,000		\$73,427	\$382,200	\$455,627	\$135,082	\$4,601	\$595,310
2031	36,750,000	\$36,750,000		\$73,427	\$382,200	\$455,627	\$135,082	\$4,601	\$595,310
			Total	\$2,255,243	\$11,739,000	\$13,994,243	\$4,148,946	\$141,320	\$18,284,508

Source: CPA, Bluebell Solar, LLC

¹Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Sterling County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with the county.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Table 4 Estimated Direct Ad Valorem Taxes with all property tax incentives sought									
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Sterling City ISD I&S Levy	Sterling City ISD M&O Levy	Sterling City ISD M&O and I&S Tax Levies	Sterling County Tax Levy	Sterling County Underground Water District Tax Levy	Estimated Total Property Taxes
			Tax Rate¹	0.1998	1.0400		0.3676	0.01252	
2017	161,000,000	\$30,000,000		\$321,678	\$312,000	\$633,678	\$177,536	\$20,157	\$831,372
2018	147,000,000	\$30,000,000		\$293,706	\$312,000	\$605,706	\$162,098	\$18,404	\$786,209
2019	133,000,000	\$30,000,000		\$265,734	\$312,000	\$577,734	\$146,660	\$16,652	\$741,046
2020	117,250,000	\$30,000,000		\$234,266	\$312,000	\$546,266	\$129,293	\$14,680	\$690,238
2021	101,500,000	\$30,000,000		\$202,797	\$312,000	\$514,797	\$111,925	\$12,708	\$639,430
2022	85,750,000	\$30,000,000		\$171,329	\$312,000	\$483,329	\$220,634	\$10,736	\$714,698
2023	68,250,000	\$30,000,000		\$136,364	\$312,000	\$448,364	\$175,607	\$8,545	\$632,515
2024	52,500,000	\$30,000,000		\$104,895	\$312,000	\$416,895	\$135,082	\$6,573	\$558,550
2025	42,000,000	\$30,000,000		\$83,916	\$312,000	\$395,916	\$108,066	\$5,258	\$509,240
2026	36,750,000	\$30,000,000		\$73,427	\$312,000	\$385,427	\$94,557	\$4,601	\$484,585
2027	36,750,000	\$36,750,000		\$73,427	\$382,200	\$455,627	\$135,082	\$4,601	\$595,310
2028	36,750,000	\$36,750,000		\$73,427	\$382,200	\$455,627	\$135,082	\$4,601	\$595,310
2029	36,750,000	\$36,750,000		\$73,427	\$382,200	\$455,627	\$135,082	\$4,601	\$595,310
2030	36,750,000	\$36,750,000		\$73,427	\$382,200	\$455,627	\$135,082	\$4,601	\$595,310
2031	36,750,000	\$36,750,000		\$73,427	\$382,200	\$455,627	\$135,082	\$4,601	\$595,310
			Total	\$2,255,243	\$5,031,000	\$7,286,243	\$2,136,868	\$141,320	\$9,564,430
			Diff	\$0	\$6,708,000	\$6,708,000	\$2,012,078	\$0	\$8,720,078

Source: CPA, Bluebell Solar, LLC

¹Tax Rate per \$100 Valuation

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment B – Tax Revenue over 25 Years

This represents the Comptroller's determination that Bluebell Solar, LLC (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2014	\$0	\$0	\$0	\$0
	2015	\$0	\$0	\$0	\$0
	2016	\$0	\$0	\$0	\$0
Limitation Period (10 Years)	2017	\$312,000	\$312,000	\$1,362,400	\$1,362,400
	2018	\$312,000	\$624,000	\$1,216,800	\$2,579,200
	2019	\$312,000	\$936,000	\$1,071,200	\$3,650,400
	2020	\$312,000	\$1,248,000	\$907,400	\$4,557,800
	2021	\$312,000	\$1,560,000	\$743,600	\$5,301,400
	2022	\$312,000	\$1,872,000	\$579,800	\$5,881,200
	2023	\$312,000	\$2,184,000	\$397,800	\$6,279,000
	2024	\$312,000	\$2,496,000	\$234,000	\$6,513,000
	2025	\$312,000	\$2,808,000	\$124,800	\$6,637,800
	2026	\$312,000	\$3,120,000	\$70,200	\$6,708,000
Maintain Viable Presence (5 Years)	2027	\$382,200	\$3,502,200	\$0	\$6,708,000
	2028	\$382,200	\$3,884,400	\$0	\$6,708,000
	2029	\$382,200	\$4,266,600	\$0	\$6,708,000
	2030	\$382,200	\$4,648,800	\$0	\$6,708,000
	2031	\$382,200	\$5,031,000	\$0	\$6,708,000
Additional Years as Required by 313.026(c)(1) (10 Years)	2032	\$382,200	\$5,413,200	\$0	\$6,708,000
	2033	\$382,200	\$5,795,400	\$0	\$6,708,000
	2034	\$382,200	\$6,177,600	\$0	\$6,708,000
	2035	\$382,200	\$6,559,800	\$0	\$6,708,000
	2036	\$382,200	\$6,942,000	\$0	\$6,708,000
	2037	\$382,200	\$7,324,200	\$0	\$6,708,000
	2038	\$382,200	\$7,706,400	\$0	\$6,708,000
	2039	\$382,200	\$8,088,600	\$0	\$6,708,000
	2040	\$382,200	\$8,470,800	\$0	\$6,708,000
	2041	\$382,200	\$8,853,000	\$0	\$6,708,000
		\$8,853,000	is greater than	\$6,708,000	
Analysis Summary					
Is the project reasonably likely to generate M&O tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?					Yes

Source: CPA, Bluebell Solar, LLC

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that “the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state.” This represents the basis for the Comptroller’s determination.

Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

Determination

The Comptroller has determined that the limitation on appraised value is a determining factor in the Bluebell Solar, LLC’s decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per the applicant, land has no existing improvements.
- Per the applicant, NextEra Energy Resources (NEER) is one of the largest wholesale generators of electric power in the U.S., with nearly 17,800 MW of generating capacity across 24 states, and with approximately 400 MW in 4 Canadian provinces. NEER produces the majority of its electricity from clean and renewable sources, including wind and solar.
- Per the applicant, “NEER is poised to install and operate more MWs of solar than any other competitor in North America. As of February 19, 2015, NEER has 730 MW of solar PV and solar thermal projects in operation. In addition, NEER has approximately 1,040 MW of solar PV projects in construction or late stage development.”
- Per the applicant, “NEER is keen to develop and build the proposed Bluebell Solar Project as per this application, but since this Project is still in the early stages of development, further investment could be, if necessary, redeployed to other counties and states competing for similar wind projects.”
- Per the applicant, “NEER is also evaluating their existing operations for the expenditure of this investment.”
- Per the applicant, “Solar farms have a lower power production output per cost installed compared to the other forms electric generation; therefore, they are at a competitive disadvantage when trying to negotiate power purchase agreements in the ERCOT market. Without subsidies the cost of solar power is approximately twice as much per kilowatt-hour compared to the cost of wind power. Obtaining a value limitation from the

school district is crucial to the economics of any solar farm competing for a power purchase agreement in the ERCOT market.”

Supporting Information

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
- c) Additional information provided by the Applicant or located by the Comptroller

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Supporting Information

**Section 8 of the Application for
a Limitation on Appraised Value**

Application for Appraised Value Limitation on Qualified Property

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171? ☒ Yes ☐ No
2. The property will be used for one of the following activities:
 - (1) manufacturing ☐ Yes ☒ No
 - (2) research and development ☐ Yes ☒ No
 - (3) a clean coal project, as defined by Section 5.001, Water Code ☐ Yes ☒ No
 - (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code ☐ Yes ☐ No
 - (5) renewable energy electric generation ☒ Yes ☐ No
 - (6) electric power generation using integrated gasification combined cycle technology ☐ Yes ☒ No
 - (7) nuclear electric power generation ☐ Yes ☒ No
 - (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7) ☐ Yes ☒ No
 - (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051 ☐ Yes ☒ No
3. Are you requesting that any of the land be classified as qualified investment? ☐ Yes ☒ No
4. Will any of the proposed qualified investment be leased under a capitalized lease? ☐ Yes ☒ No
5. Will any of the proposed qualified investment be leased under an operating lease? ☐ Yes ☒ No
6. Are you including property that is owned by a person other than the applicant? ☐ Yes ☒ No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? ☐ Yes ☒ No

SECTION 7: Project Description

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:

☒ Land has no existing improvements

☐ Land has existing improvements (*complete Section 13*)

☐ Expansion of existing operation on the land (*complete Section 13*)

☐ Relocation within Texas

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur? ☐ Yes ☒ No
2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project? ☐ Yes ☒ No
3. Does the applicant have current business activities at the location where the proposed project will occur? ☐ Yes ☒ No
4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location? ☐ Yes ☒ No
5. Has the applicant received any local or state permits for activities on the proposed project site? ☐ Yes ☒ No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site? ☐ Yes ☒ No
7. Is the applicant evaluating other locations not in Texas for the proposed project? ☒ Yes ☐ No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? ☐ Yes ☒ No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? ☐ Yes ☒ No
10. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas? ☐ Yes ☒ No

Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

For more information, visit our website: www.TexasAhead.org/tax_programs/chapter313/

Supporting Information

**Attachments provided in Tab 5
of the Application for a
Limitation on Appraised Value**

TAB 5

Documentation to assist in determining if limitation is a determining factor.

NextEra Energy Resources (NEER), with approximately 18,300 MW of generating capacity at December 31, 2013, is one of the largest wholesale generators of electric power in the U.S., with nearly 17,800 MW of generating capacity across 24 states, and with approximately 400 MW in 4 Canadian provinces. NEER produces the majority of its electricity from clean and renewable sources, including wind and solar. NEER also provides full energy and capacity requirements services, engages in power and gas marketing and trading activities, participates in natural gas, natural gas liquids and oil production and pipeline infrastructure development and owns a retail electricity provider. NEER has a long term commitment to both wind and solar with an outlook to significantly expand our fleet of clean energy generating capacity.

NEER is poised to install and operate more MWs of solar than any other competitor in North America. As of February 19, 2015, NEER has 730 MW of solar PV and solar thermal projects in operation. In addition, NEER has approximately 1,040 MW of solar PV projects in construction or late stage development.

NEER is keen to develop and build the proposed Bluebell Solar Project as per this application, but since this Project is still in the early stages of development, further investment could be, if necessary, redeployed to other counties and states competing for similar wind projects. NEER is also evaluating their existing operations for the expenditure of this investment.

Supporting Information

**Additional information
provided by the Applicant or
located by the Comptroller**

COMPTROLLER QUERY RELATED TO TAX CODE CHAPTER 313.026(c)(2)
–Bluebell Solar, LLC - Application #1062 – Sterling City ISD

Comptroller Question (via email on July 13, 2015):

We have reviewed the information in Tab 5. While it discusses the company's size, capacity and diverse holdings, it does not address the company's need/requirement of Chapter 313 specifically. Please provide information to demonstrate that Chapter 313 is a determining factor for this project to come to Texas.

Applicant Response (via email on July 20, 2015):

Solar farms have a lower power production output per cost installed compared to the other forms electric generation; therefore, they are at a competitive disadvantage when trying to negotiate power purchase agreements in the ERCOT market. Without subsidies the cost of solar power is approximately twice as much per kilowatt-hour compared to the cost of wind power. Obtaining a value limitation from the school district is crucial to the economics of any solar farm competing for a power purchase agreement in the ERCOT market.